C4680-1
9/14/87

September 1987

NPN

National Petroleum News

The C-Store Market: Is a ng?

NATIONAL PETROLEUM NEWS

SEPTEMBER 1987 VOL. 79 NO. 9

16 Regional News

16 Midwest
Stage II clock running out in St. Louis

17 South
Contaminated gasoline results in law suit

18 East
Whaleco acquisition is biggest fuel oil deal

20 West
Shell's Hawaii sellout raises supply questions

27 General News

27 Upstream profits rebound, downstream suffers

30 Marketers relieved by EPA clean air proposals

32 Tank warning prompts rebuttal

32 Industry opposes increase in excise tax

34 Negative effects on major oil producing states

34 API reports increased petroleum consumption

34 Court upholds award against Arco

38 Features

38 Cover Report
Is a C-store shakeout looming?

46 Operations & Equipment
Tough choices in automated fleet fueling

52 Management
Why Chief Auto Parts entered the car service market

63 Marketing Management—Paul Forbes
Notes and anecdotes from Beijing

64 Tax Corner—Irving Blackman
Don't put off buy/sell agreements

Departments

66 About Oil People
9 Ahead of the News
56 Briefs
11 Catching Up
68 Classified
24 Coming Meetings
5 Looking Things Over
12 Marketplace
58 Product Showcase
12 Trends

People in the industry predict that convenience stores are heading for a shakeout similar to that of the gasoline stations in the late 1970's. **Page 38**

The cast of players entering the automated fleet fueling business is growing rapidly and marketers have more choices than ever to consider. How does a marketer make the best decision for his company? **Page 46**

Southland Corp. takes aim at the automotive service business through the development of a 24-hour service facility in Dallas. Connected to a Chief Auto Parts store and adjacent to a 7-Eleven, company officials call it the "most convenient corner in America." **Page 52**

• TRENDS

Leaded Regular Begins To Lose Its Price Edge

The historic changes sweeping gasoline marketplaces these days are ushering in still another development —the day when leaded gasoline will cost more than unleaded regular at most stations. The probability is that leaded regular—if it can hang on at all—will be a specialty product, hard to find, and anywhere from 5¢ to 25¢ a gal. more than unleaded regular.

Leaded gasoline is already far down the path to extinction [*NPN*—Nov. '86, p44]. Leaded premium was abandoned long ago and with the introduction of mid-grades of unleaded and the elimination of leaded regular at many stations, the end is inevitable.

Traditionally, leaded regular has been used as the price leader in gasoline retailing. The old philosophy was to cut the pump price of the regular grade and make up for it by boosting premiums and superpremiums. That was OK so long as leaded regular dominated the sales ratios. But things have changed. Leaded regular sales are now down to 20% to 25% of the national volumes.

Field reports reveal a number of places where leaded regular has lost its price advantage completely vis à vis unleaded regular or any other grade. In Richmond, Va., for example (ironic, since it's headquarters for Ethyl Corp., once the biggest manufacturer of lead compounds for motor fuels), there are about a dozen service stations where leaded regular costs more than unleaded regular; and there are many others which do not sell leaded regular at all anymore. Some 7-Elevens in Memphis are now pricing unleaded regular at 5¢ a gal. below leaded regular. And in Houston, unleaded regular is being sold at 2¢-4¢ a gal. below leaded regular at some major brand stations—which has some independents wondering if the majors are trying to get rid of leaded regular all together.

Although many retailers are still following the old concept of using leaded as their price leader, the gap is expected to narrow over the next year or two. As recently as 1985, the differential between leaded regular and unleaded regular ran as high as 8¢ to 10¢ a gal. In 1986, it dropped to 7¢ a gal. for the nation as a whole. It started out at an average of 5.6¢ a gal. six months ago and by June, according to the Department of Commerce, had dropped to an average of 5.2¢. The probability is that this differential will be under 5¢ a gal. by next Dec. 31 and probably drift down to the 4¢ a gal. range by this time next year.

Then there's the EPA, which wants to wipe out all leaded gasoline by next Jan. 1. There are so many pro and con pressures involved in this issue, however, that it doesn't seem likely EPA will implement its phaseout on schedule. Meantime, here's an overview of narrowing gap between leaded regular and unleaded regular prices:

U.S. City Retail Averages
(cents per gal., taxes included)

Year/ Average	Leaded Regular	Unleaded Regular	Price Differential
1987			
January	80.6¢	86.2¢	5.6¢
February	84.8	90.5	5.7
March	85.5	91.2	5.6
April	87.9	93.4	5.5
May	88.8	94.1	5.3
June	90.6	95.8	5.2
1986	85.7	92.7	7.0
1985	111.5	120.2	8.7
1984	112.9	121.2	8.3
1983	115.7	124.1	8.4
1982	122.2	129.6	7.4
1981	131.1	137.8	6.7
1980	119.1	124.5	5.4

—J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

JUNE	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$0.966	$0.906	$0.958	$1.098
Regions:				
Northeast	0.975	0.903	0.948	1.094
North Central	0.967	0.925	0.966	1.100
South	0.961	0.890	0.951	1.094
West	0.964	0.908	0.966	1.109

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	7/31/87	8/1/86
Gasoline (total)	229,735	222,596
Gasoline (Unleaded)*	135,762	116,356
Jet Kerosine	40,167	32,139
Distillates	114,252	116,561
Residual	41,863	39,693

**Included in gasoline total.*
Source: American Petroleum Institute.

NPN

NATIONAL PETROLEUM NEWS SEPTEMBER 1987

Higher Crude Prices Rejuvenate Upstream Nets, Hurt Downstream

In the wake of the most traumatic collapse of crude prices in oil's history, there were signs in the second-quarter earnings reports that normally may be rounding the corner again.

Upstream profits were buoyed by the fact that domestic and international crude oil prices were edging upwards to the $20 bbl. level. Conversely, this impacted in reverse fashion on marketing nets. As might be expected, they tightened up and, in some cases, declined. It must be remembered, however, that in the second quarter of last year, crude prices plummeted while downstream profits boiled upwards due to the time lags in the changes.

Exxon, Texaco, Chevron, Shell, Amoco, Arco and Unocal were among the bigger oil companies posting profit increases in the second quarter. Mobil, Tenneco, Conoco, Phillips, Sun and Ashland, on the other hand, had minus signs ranging from 10% to 62%.

Downstream was a different story. Shell, the nation's leading gasoline marketer, was the only major with a greater downstream net in second quarter 1987 than its competitors. Amerada Hess, among the second tier companies, also had a substantial increase in the second quarter vis à vis the same period of last year.

For the six months of 1987, however, the pickin's were slim. The depressed first-quarter nets pulled down the first-half earnings so that only a few had plus signs, notably Arco, Unocal and Kerr-McGee.

Upstream Nets, Continued . . .

Amoco was a thin-edge winner too, with just enough to get over the line.

One Wall Street analyst put his finger right on the button with this comment: "The second quarter of 1987 was a mirror image of the second quarter of 1986. Last year upstream earnings were terrible while downstream profits were extraordinarily good." The industry is in transition now, he added. "It's moving back to higher levels of profitability from the disaster of last year."

Shell president John Bookout had this comment: "Improvement in crude oil prices, chemical margins and sales volumes, more than offset the effect of depressed refined products margins and lower natural gas prices."

The general feeling seemed to be that with gasoline consumption up noticeably this summer and pump prices back at the buck-a-gallon average that the outlook for the third quarter is about the rosiest it has been since 1985. **NOV**

SECOND-QUARTER AND FIRST-HALF EARNINGS
Upstream Profits—The Outlook Is Rosier

(Add 000,000)

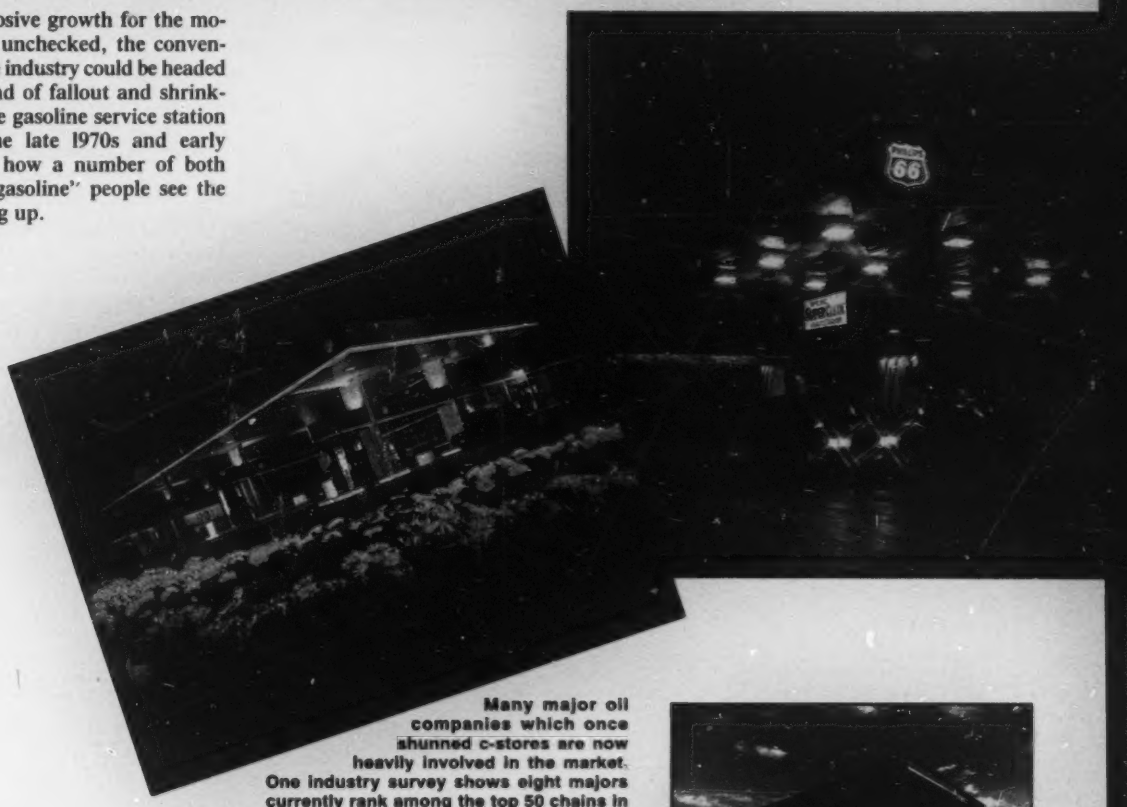
Company	2nd Qtr. 1987	2nd Qtr. 1986	% Chng.	1st Half 1987	1st Half 1986	% Chng.
Exxon	$1,150.0	$1,115.0	3.1	$2,220.0	$2,825.0	(21.4)
Mobil	304.0	582.0	(47.8)	556.0	1,022.0	(45.6)
Texaco	240.0	185.0	29.7	358.0	513.0	(30.2)
Chevron	344.0	216.0	59.3	542.0	593.0	(8.6)
Shell	266.0	219.0	21.5	374.0	495.0	(24.4)
Amoco	311.0	238.0	30.7	571.0	569.0	0.4
Arco	330.0	150.0	120.0	569.0	449.0	26.7
Tenneco	46.0	80.0	(42.5)	75.0	204.0	(63.2)
Conoco*	64.0	135.0	[illegible]			
Phillips	3.0	8.0				
Sun	90.0	100.0				
Unocal	62.0	34.6				
Marathon*	218.0	163.0				
Amerada Hess	89.4	19.7				
Ashland**	40.0	82				
Pennzoil	7.4	2				
Kerr-McGee	27.3					
Murphy	7.1					
Amer. Petrofina	28.7					

Downstream Nets—N[illegible] Div[illegible] [illegible]body

Exxon					
Domestic	(19.0)		(57.0)	357.0	-
Foreign	28.0		172.0	809.0	(86.2)
Mobil					
Domestic	17.0		19.0	220.0	(91.4)
Foreign	67.0		144.0	497.0	(71.2)
Texaco					
Domestic	(22.0)		(67.0)	154.0	-
Foreign	36.0		41.0	490.0	(80.6)
Chevron					
Domestic	15.0		(61.0)	202.0	-
Foreign	27.0		2[illegible]	29[illegible]	(90.[illegible])
Shell					
Domestic	65.0		7[illegible]	1[illegible]	[illegible]
Amoco					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Arco					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Tenneco					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Conoco					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Phillips					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Sun					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Unocal					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Marathon					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Amerada Hess					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Ashland					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Pennzoil					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Kerr-McGee					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Murphy					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]
Amer. Petrofina					
Domestic	[illegible]		[illegible]	[illegible]	[illegible]
Foreign	[illegible]		[illegible]	[illegible]	[illegible]

Why the C-Store Image Race Could Lead to a 'Shakeout'

While its explosive growth for the moment remains unchecked, the convenience food store industry could be headed toward the kind of fallout and shrinkage that hit the gasoline service station business in the late 1970s and early 1980s. That's how a number of both "store" and "gasoline" people see the market shaping up.



Many major oil companies which once shunned c-stores are now heavily involved in the market. One industry survey shows eight majors currently rank among the top 50 chains in number of stores. Amoco, for instance, ranks 20th, with an estimated 480 "Food Shop" stores. Shell reportedly has about 300 "Food Marts" of 1,200 sq. ft. or more plus other smaller units. Although it doesn't rank among the top 50, Phillips has between 100 and 150 stores, which require an average investment of $550,000 to $600,000, not including land.

A relentless, and expensive, drive by many chains to improve the image of their stores—by building new and fancier ones, sprucing up older ones and cutting store merchandise prices—is putting much pressure on the "typical" C-store of the past.

Some recent trends causing particular concern include:

- Price cutting. Some large C-store chains have been slashing their "in-store" prices recently, dragging down their traditionally high in-store markups.
- Overbuilding. Both the total number of C-stores and those selling gasoline have more than doubled since 1981. Many now talk of there being "too many C-stores," just as was once said of service stations before the shakeout hit them.
- Shrinking marketshare. One estimate puts annual C-store sales now at $65.9-billion, up 7% from 1986, with gasoline sales accounting for $27-billion of the total. However, the rapid increase in store numbers is squeezing per-store sales averages.
- Soaring investments. Some C-store chains and large oil companies say they are now investing from $500,000 to over $1-million in their new stores. Millions of dollars are being spent on remodeling and sprucing up older units. Meanwhile, many are spending more on fast food equipment and expanding their in-store merchandise.
- Rising oil company involvement. Eight oil companies now rank among the top 50 chains in number of stores. Of 10 major oil companies checked recently, all reported they are currently building C-stores and/or converting service stations into stores.

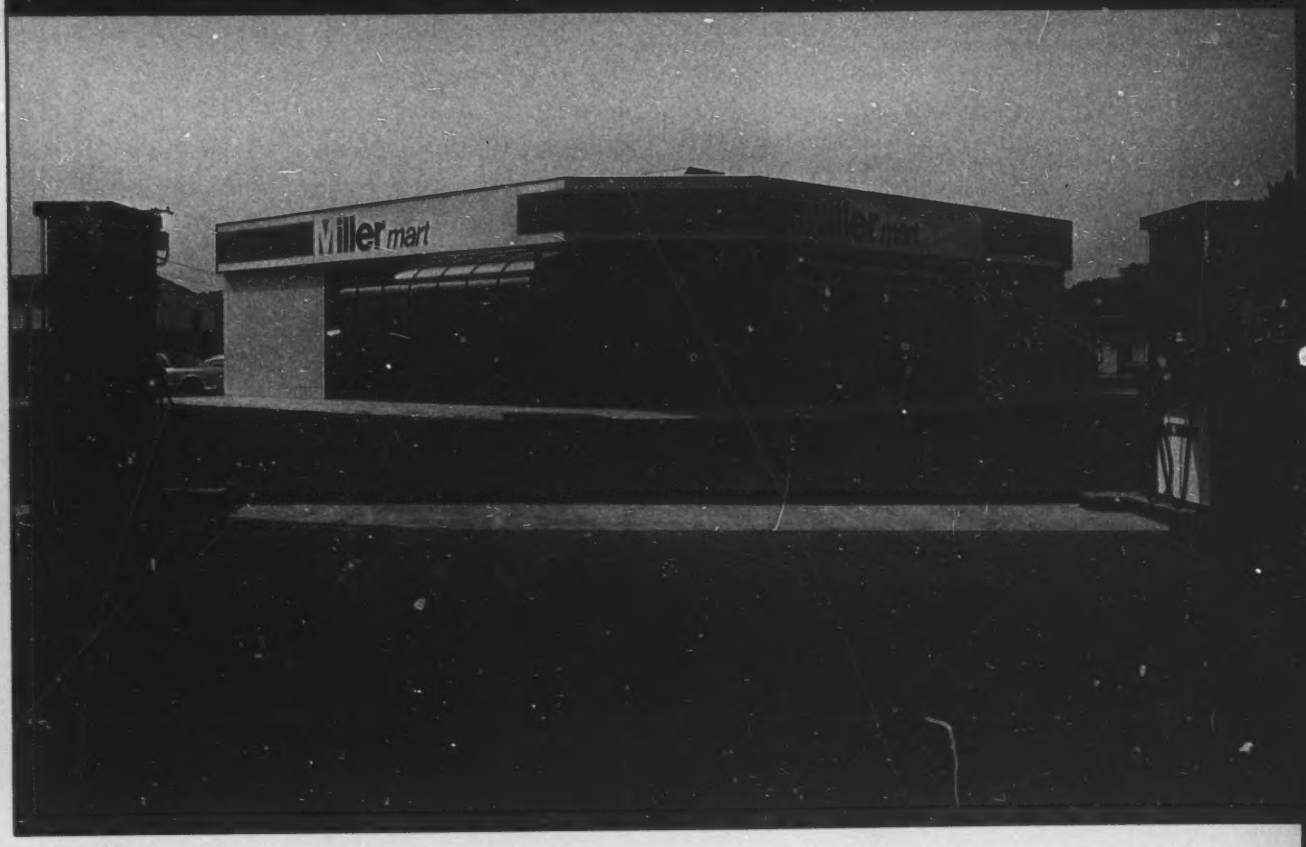
Wanted: A Better Image

For years, most consumers have looked on C-stores as usually convenient but high-priced little stores, except for gasoline. They were often found on secondary side street locations, had cluttered and cramped merchandise displays and were often simply dirty.

Some larger store chains, including those owned by gasoline marketers, are trying to change this image by building newer and brighter stores on well-lighted prime sites, upgrading their in-store appearances and offering deli-type fast foods.

They're also cutting prices and this, in particular, has been sending a few shock waves through both the C-store and gasoline industries.

Southland Corp. last year began slashing prices on selected items almost to cost at its 7-Eleven stores in some Southwest and Southeast markets. Southland has backed this up with advertising and



promotion campaigns that boast of having the lowest prices in markets where they have taken such action.

Some other large store chains, such as Circle K and National Convenience Stores, have been trying to compete with the 7-Eleven price-cutting.

Some major oil companies, meanwhile, are believed in some cases to have had trouble getting their spanking new (and very expensive) C-stores to meet targeted projections. They have been, in some markets, adding fuel to the chains' price-cutting fire with "promotions like we had in the Sixties at 'gas' stations," says one marketer.

'Gutsy' Prices

The 7-Eleven price reductions seemed to center around such items as beer, cigarettes, milk and soft drinks—categories which have been subject to some price-cutting before at C-stores.

In Dallas recently, 7-Eleven stores were selling two-liter bottles of soda for $1.29, compared with an average price of about $1.80, and a 12-pack of beer for $5.79, about 36¢ below average prices. In Shreveport, La., it had television commercials describing its low beer prices as "gutsy."

Circle K Corp. met Southland's price cuts for a while in highly competitive markets like Florida but then backed off some. Robert Reade, Circle K president, was later quoted as saying that in December his company discontinued trying to meet all competitive in-store price cutting because "it looked like we were all going down the same rat hole."

National Convenience Stores has said it is matching some 7-Eleven prices in Houston.

Southland admits that it has "expanded (our) competitive pricing strategy," and has "accelerated" investments in marketing programs and store remodeling. Its chief executives say the company's 8,200 7-Elevens and other retail stores are moving "aggressively" to "meet the challenges of an increasingly competitive retailing environment."

One Southland executive is quoted as saying 7-Eleven's price-cutting on some store items is part of a strategy to make the stores stand out and attract a wider range of customers. Southland, for one thing, hopes to draw more female customers to its stores. At present, just 30% of 7-Eleven customers are women.

Other large store chains like Circle K and NCS talk of the need to draw more women customers, too, but think there are other ways besides price-cutting to do this, such as brighter stores and more products that women need. NCS's Stop N Go stores in

New looks, new products and 'gutsy' prices

Houston have added such things as bottled water, greeting cards, and different brands of cosmetics to their shelves.

V. H. Van Horn, NCS president and chief executive, has been quoted as saying he believes "the working woman is attracted to convenience stores for the same reason the working man is, and that's to save time."

Some oil companies, meanwhile, appear to be rolling out heavier promotions of their multiple pump C-stores, with some of these taking on the characteristics of all the hoopla once used for "grand openings" of service stations.

In Memphis recently, a Texaco "Food Mart" had a $10,000 display of Cokes as part of a "grand opening" promotion, says independent oil marketer Jack Malone of that city. "I hadn't seen anything like it since the Sixties," he said. "The oil companies here are now trying any promotion to get their units to meet their projections."

This Grand Central Station outlet which recently opened in Green Bay, Wisc. is an example of the stress some marketers are putting on large, attractive innovatively designed—and highly expensive—stores. The 6,500 sq. ft. store (on a 2½-acre site) is owned by Petroleum Equipment Service Co., Green Bay, which offers petroleum marketing products.

Low Markup, High Volume

Some "gasoline" and "C-store" people have had their pricing misunderstandings ever since the idea of adding self-serve pumps at C-stores began catching on in the early 1970s.

In general, however, those with such facilities have usually followed the "low markup, high volume" strategy at their pump islands while adopting just the opposite approach on inside store sales. Non-gasoline margins at C-stores in 1985 averaged 32.2% while gasoline margins averaged just 7.3%, according to the National Assn. of Convenience Stores.

This compares with overall average markups in the 20-22% range at supermarkets, says Larry Dillard, vice president of Musket Corp. (Love's Country Stores), Oklahoma City, who came out of the supermarket field. He doubts some reports that Southland intends to compete head-on with supermarkets on price.

Circle K's Reade has been quoted elsewhere as saying his company's store prices exceed grocery-store prices by about 10% to 15% now, down from higher margins a few years ago.

Most owners and operators can't see their C-stores ever competing with supermarket prices on anything but a few selected items. "There is no way most C-stores can get the volume of business necessary to compete with a supermarket on price," says one marketer.

Some independent oil marketers have been more aggressive on their "in-store" prices all along than most large C-store chains. Pilot Oil of Knoxville, Tenn., for example, shoots for an average markup of 27.5% at its expensive interstate locations and even less at neighborhood-type stores.

One independent not in C-stores in the Southeast was, nevertheless, recently mapping plans to strike back at some C-store price-cutting in his market. He was planning to sell 16-oz. Cokes at 29¢, 6¢ below what some stores were selling

Revitalized Charter Sells Asphalt, Buys More C-Stores

Charter Co., which recently restructured itself out of Chapter 11 bankruptcy proceedings, has expanded its C-store operations by 150 units and spun off its asphalt operations on the East Cost and the Midwest.

"It's all part of our projected one-step-at-a-time return to normalcy," a spokesman said. "This is our first addition since we got ourselves out of Chapter 11 recently."

Charter, subject to closing no later than Sept. 30, has purchased all of the stock of Mr. B's Oil Co., Windber, Ga., for approximately $7.5-million. The chain has 150 stores, all with gasoline and virtually all within the Georgia borders. They are company owned and leased.

Charter, at the same time, signed an agreement in principle to sell its Riffe Petroleum Co, for approximately $42-million plus an amount equal to the company's working capital, to Elf Acquitaine Asphalt, Inc., one of the U.S. subsidiaries of the French Elf Aquitaine Group.

Sale of the asphalt business takes Charter out of the processing end of the business entirely. It previously sold its refinery in Houston and bowed out of its half-interest in another in the Bahamas in restructuring itself. Riffe Petroleum had 14 emulsion plants on the East Coast and in the Midwest.

What Charter has left are its string of 400 or so C-stores and service stations on the East Coast, its heavy oil marketing operations in the Northeast, and a 24% interest in some oil production in Adu Dhabi in the Middle East. Although specific numbers were not immediately available, the Mr. B's additions increase the number of C-stores to about 650. Charter's spokesman said gasoline volumes were not available at this time.

Grand Central Station store has clean, highly visible departments.

Some chains, including those of gasoline marketers, are spending more on equipment for fast food and deli offerings.

them for. "I'll make 1.5¢ on them and I plan to sell a lot of cigarettes at a minimum markup," he said.

Most independent chain retailers, however, have been content to go along with the relatively high markups on store items that have long characterized the C-store industry. However, many of these marketers have voiced concern in the past about the general "low" image consumers have of C-stores, and can be expected to join any price-cutting that breaks out near their units.

While the typical convenience food store has had a bad "in-store" price image among consumers for a long time, most have been extremely competitive at their self-serve gasoline pumps.

"They (multiple pump C-stores) have already given away whatever profit there once was in gasoline," says one marketer. "If they get into price-cutting inside the stores now, there won't be much left."

Soaring Population

If widescale in-store price-cutting should break out, it couldn't come at a worse time for C-store owners and operators. There has been a phenomenal growth in the number of stores in the past few years, and many markets are now described as "over-saturated."

In their search for a better image, most chains are building brighter, fancier and much more expensive stores than previously. Some oil marketers now in C-stores say they see a distinct parallel between the present growth of the stores with that of service stations in the 1960s. Many think a shakeout of the stores is inevitable, much like the one that hit the stations earlier.

The oil industry's service station population peaked in 1972 when there were 226,500 stations. By the end of this year, according to NPN Fact Book sources, there will be only 117,000 service stations left which derive more than 50% of their income from the sale of gasoline and oil products.

The number of C-stores, however, with their self-serve gasoline pumps has been climbing about as fast as the station number has been dropping.

At the end of 1981, there were only 38,000 C-stores and only 16,416 of these were selling gasoline, according to the National Assn. of Convenience Stores (NACS).

Just four years later, at the end of 1985, NACS reported its total store count had reached 61,000, with 55% or 33,500 equipped with self-serve pumps. A trade publication, *Convenience Store News*, estimates much higher numbers at the end of last year—76,000 stores with 53,000 selling gasoline.

Whatever the actual store counts today, all sources agree that the small stores have been growing by leaps and bounds, reinforcing the idea of a similarity between service station growth in the 1950s and 1960s, and C-stores today.

"You wonder what it's all going to lead to," says Jim Fri, a Phillips-branded jobber in Memphis.

Soaring Investments

Almost all large C-store chains, including those owned and operated by

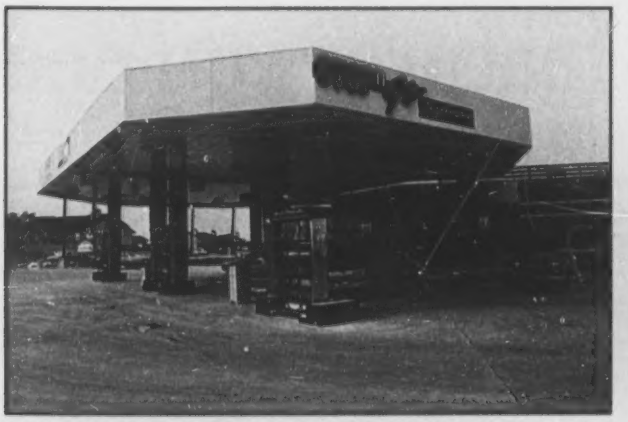
independent gasoline marketers, continue to spend heavily on modernizing and sprucing up their stores. They are also increasingly moving to prime locations for their newer stores as they close or sell off older ones.

Southland Corp. says a "majority" of the $561.7-million it spent last year for "convenience retailing" went into "new stores, remodeling and support of our

One-Third of the Top Stores Are Oil Companies

Rank	Company	Key Chains	No. Of Stores	No. With Gasoline
1	Southland, Dallas	7-Eleven, Highs	8,200	3,594
2	Circle K, Phoenix	Circle K	3,500	2,399
3	CFMI, Rosemont, Ill.	Convenient Food Mart	1,400	560
4	Dairy Mart, Enfield, Conn.	Dairy Mart, Lawsons	1,207	407
5	Cumberland Farms, Canton, Mass.	Cumberland Farms	1,205	700
6	Silcorp, Mississauga, Can.	Mac's Hop-In	1,042	225
7	Nat'l Conven. Stores, Houston	Stop N Go	950	720
8	Texaco, Houston	Food Mart	900	900
9	Dillon Cos., Hutchinson, Kan.	Time Saver, Kwik Shop, Mini Mart	853	687
10	Mobil, Fairfax, Va.	Mobil Mart	800	800
11	Munford, Atlanta	Majik Mart	792	448
12	Becker Milk, Scarborough, Can.	Becker's, Shaw's	750	30
13	Kampgrounds, Billings, Mont.	KOA	675	122
14	Chevron, San Francisco	Food Mart	600	600
15	Casey's Stores, Des Moines	Casey's Gen. Stores	586	586
16	Arco, Los Angeles	am/pm Mini Market	550	544
17	Sun Co., Radnor, Pa.	Stop-N-Go Sunoco Food Market	505	298
18	Dia. Shamrock, San Antonio	Diamond Shamrock	500	500
19	Crown Central, Baltimore	Fast Fare Zippy Mart	485	437
20	Amoco, Chicago	Food Shop	480	480
21	Conoco, Englewood, Colo.	Jet Store	469	469
22	The Pantry, Sanford, N.C.	The Pantry	462	432
23	Tenneco, Houston	Tenneco	450	450
24	Provigo, Laval, Can.	Provi-Soir Red Rooster	447	229
25	Emro Marketing, Springfield, Oh.	Starvin' Marvin, Gastown, Bonded	445	445
"	Coastal, Houston	Joy Food Store, Sunshine Food Store, Derby One-Stop	445	445
27	Ashland Oil, Bloomington, Minn.	Super-America	430	430
28	JFM, Jackson, Miss.	Jr. Food Mart	407	404
29	Charter, Jacksonville, Fla.	Charter Food Stores	401	401
30	Total Petroleum, Denver	Total, Vickers, Best	400	400
31	Wawa, Wawa, Pa.	Wawa	375	82
32	White Hen Pantry, Elmhurst, Ill.	White Hen Pantry	340	0
33	Sunshine-Jr., Panama City, Fla.	Jr. Food Store	336	325
34	Huntley's Jiffy Stores, Palatka, Fla.	Jiffy Store	325	302
35	Shell, Houston	Food Mart	300	300
36	Allsups, Clovis, N.M.	Allsups	287	287
37	Mapco, Tulsa	Delta	283	283
38	Farm Stores, Miami	Farm Store	270	107
39	Getty Petroleum, Jericho, N.Y.	Getty Mart	269	269
40	Atlantic Refining, King of Prussia, Pa.	A-Plus	260	260
41	Oshawa Group, Toronto, Can.	Jug City, Boni Soir	251	0
42	Exxon, New York City	Exxon Shop	250	250
"	Dairy Stores, Edison, N.J.	Krauszer's	250	3
44	QuikTrip, Tulsa	QuikTrip	246	246
"	E-Z Mart, Texarkana, Tex.	E-Z Mart	246	243
46	Uni-Marts, State College, Pa.	Uni-Mart	228	118
47	Holiday Station Stores Minneapolis, Minn.	Holiday	218	218
48	Lil' Champ, Jacksonville, Fla.	Lil' Champ	210	80
"	United Dairy Farmers, Norwood, Oh.	United Dairy Farmers	210	94
50	Tom Thumb, Hastings, Minn.	Tom Thumb	196	90

Source: Convenience Store News, Aug. 2, 1987.



Women are being courted by C-store operators. NCS's Stop N Go outlets are putting more emphasis on bright, more visually appealing stores and adding woman oriented products.

Marketers are putting more stress on putting locating their C-store outlets on busy, well lighted thoroughfares instead of secondary streets.

marketing program." The company spent $175-million just to remodel stores and add video cassette kiosks and other services.

Circle K president Reade has told the trade press that his company now looks for four-corner intersection sites with at least one street having a minimum 20,000-car daily volume of traffic. He says his company has to compete with the likes of "McDonald's, Jack-in-the-Box, and Arco" for such locations, and now pays an average of about $200,000 for a store site.

Independent gasoline marketers with store chains are also making heavy per-store investments.

Truman Arnold of Texarkana, Texas, who owns and operates a chain of about 100 Road Runner multiple pump C-stores, says a typical investment for one of these units is $430,000. Pilot Oil of Knoxville, Tenn., spends from $200,000 to $300,000 for land and another $400,000 to $500,000 for improvements at its interstate locations. Tom Love of Musket Corp., Oklahoma City, has said some of his interstate store units run over $1-million.

Some independent gasoline marketers, however, are becoming more cautious about making huge investments in large stores.

Bill Williams, president and chief executive of Vista Marketing Group, Rockford, Ill., says he is thinking in terms of 1,000 to 1,100 sq. ft. instead of 3,000 sq. ft. stores in the future due to his concern about store saturation and what this could lead to.

"Many of us (gasoline marketers) got into C-stores because of the high margins they offered compared to our bad gasoline margins," he says. "Now we are seeing the store margins go bad because of over-saturation."

The Herd Instinct

Most of the big growth in multiple pump C-stores until recently has occurred primarily in the C-store, independent oil marketer, and branded oil jobber segments. The majority of oil refiner/suppliers were slow to join in all the building. This is changing.

In a recent survey, *Convenience Store News* found that eight refiner/supplier oil companies (Texaco, Mobil, Chevron, Amoco, Coastal, Shell, Mapco, and Exxon) appeared in its "Top 50" ranking of C-store operators for the first time (see chart).

"The elephants are all following the herd instinct," says one marketer, "just like they did when they were putting a three-bay service station on every street corner in America."

A survey of a dozen major oil companies by *NPN* reveals that all now have more company-operated or dealer-operated stores than a year ago and all are building more. (Note: Some numbers obtained directly from the companies differ from those in the *Convenience Store News* chart).

Texaco, a company which just a few years ago didn't want even its jobbers or dealers to get involved in C-stores, now has 900 of its "Food Mart" stores in operation. Only seven C-store chains rank ahead of Texaco in the total number of stores today.

The Texaco Food Mart stores average in size 24 by 44 ft., and in addition to typical C-store items have a limited fast food line of fountain drinks, hot dogs, and coffee. They have an average of 24 gasoline hoses and, according to a company spokesman, have monthly averages of $25,000 in-store merchandise and 150,000 gal. in gasoline sales. The company declines to reveal investment details.

Mobil is second among the oil companies in number of C-stores with 600 of its "Mobil Marts." Most of these units are 650 sq. ft. and sell primarily sodas, bread, milk, ice, cigarettes, prepackaged snack foods, sandwiches, candies and other sundry items. A few sell nachos, hot dogs, and fountain drinks.

Arco's am/pm mini market program still appears to be one of the best among the oil companies. There are now 550 such stores ranging in size from 1,600 to 2,500 sq. ft. These units are moving into self-serve fast foods—cooking hamburgers on the premises, hot dogs, carryout yogurt, soft-serve ice cream, fountain drinks, snacks, beer and wine.

Arco says some of its units in Las Vegas cost as much as $1-million. Overall, the am/pm stores average 175,000 gal. in monthly gasoline sales, and last year's merchandise sales for all the stores totaled $240-million. Arco thinks they will reach $300-million this year.

Chevron is third among the majors in total stores. It now has about 600 company-owned food stores. The typical size is 800 to 900 sq. ft. stores with 24 to 30 self-serve gasoline hoses. A company spokesman says investment in reconstructed or new facilities range from $750,000 to $1.2-million.

Unocal East says it now has 93 "Self-Serve Marts" ranging in size from 600 to 2,000 sq. ft. The company says its jobbers have over 3,000 C-stores and adds that it is "very optimistic" about the future for stores. The company projects building from three to five 2,000 sq. ft. stores this year.

Phillips Petroleum now has between 100 and 125 company-operated stores representing average investments of $550,000 to $600,000, excluding land. Its standard unit, a center island marketer,

The average non-gasoline margin at C-stores was 32.2% in 1985, says NACS, but large chains and independents alike have slashed in-store prices aiming at a 25% or lower mark-up to draw more customers.

Book Tips Marketers on How To Strike it Rich at Outlets

The way Al Kerth sees things, there are dozens of ways out there that service station operators can improve their bottom lines and generate a lot more traffic at their facilities.

The same holds true for fuel oil retailers and other small, up-front type of product marketing. All it takes is imagination and implementation of the concepts that fit each place best, he says.

Kerth—officially, Albert L. Kerth, A.I.A.—is an architect by profession who has devoted most of his life to designing and building service stations. He spent 38 years in the engineering and marketing department of the old Getty Refining & Marketing Co. before setting up shop as a consultant and expert witness for government and industry.

He wrote two editions of "A New Life for Abandoned Service Stations," both of which won high praise and considerable implementation in gasoline marketing. His latest effort is entitled, "40 Profitable Ideas for Service Stations."

He believes that "the days of surviving on gasoline only for petroleum marketers have passed. He states further:

"Gasoline must be combined with multiple business uses that will generate income to cover operating expenses and inflation and then provide an adequate return. Three or four profit centers should be included in future planning by marketers and independents.

"Careful site selection and demographic studies must be completed before the expensive multi-business venture can succeed. Combining a fast lube with a tune-up center, an eight-bay self-serve car wash, gasoline and a convenience store, as was done in Denver, is an excellent example of multiple business uses.

"An independent who developed a brushless tunnel wash, and included a five-bay car detail shop and a 'gas bar' in two Oklahoma cities is a firm believer in developing good properties with multiple business uses."

Kerth's new book includes a variety of suggestions for using boarded-up service bays. These include self-service wand car washes, discount pet food stores, bicycle sales and repairs, donut stores, pizza parlors and video stores, all combined with gasoline operations.

Substantial profits can be realized when a food mart is placed on one of the islands for full-service or self-service customers or becomes a free-standing building adjacent to a full-service facility, he says. The advantage of a food mart is the profit that can be realized by the better-than-average service station, explaining:

"A 960-square foot building that sells hot coffee, donuts, frankfurters, soda, milk, candy, cigarettes, newspapers and a variety of products can make a profit from the gross sales that range between $15,000 and $30,000 a month."

Other Kerth suggestions include self-service postal centers, copy machines, ice cream machines and even seasonal produce such as strawberries, peaches, tomatoes, etc. When crops are abundant, all can be good money makers.

Kerth's fascinating new book can be obtained from Petroleum Marketing Education Foundation in Alexandria, Va. (P. O. Box 20001, Zip 22320) at $35 per copy for contributors and $39.50 for non-contributors. Some buyers have said it's worth 10 times that much.

is about 750 to 800 sq. ft. but it has some "Food Plaza" units as large as 2,400 sq. ft. Charles Bowerman, marketing vice president, says Phillips jobbers who wish to participate in the company's new construction incentive program must have a C-store in their new construction plans. As for the company's own future building plans, it wants to build about 20 to 30 company-operated units per year in metropolitan markets—each with a C-store and four to six multiple pump dispensers.

An Amoco spokesman puts that company's current store total at 460 with approximately 100 of these company-operated. Named "Food Shop," the Amoco stores average 20 by 44 sq. ft. with 24 hoses but the company has a few which are 24 by 44 sq. ft. and is seriously studying the possibility of building some 30 by 50 sq. ft. stores. A Food Shop opened in Kansas City a few months back, dubbed Amoco's "station of the future," measures 1,056 sq. ft. "I wasn't impressed with it," says an independent. "It's too small for all the stuff they tried to cram in it." The company spokesman says Amoco sees a "generally positive future for C-store development" although some markets are reaching "their peaks."

Shell, while declining to reveal much about its C-store operations, reportedly has 300 "Food Marts" of 1200 sq. ft. or more, plus quite a few smaller "minimarts." The company declines, also, to reveal gasoline or store sales volumes but says the units sell four to five times more gasoline than food. "We are primarily in the business of selling gasoline."

Exxon now has 250 of its "Exxon Shop" stores in 20 states. These are 1,100 sq. ft. units with an average of 18 hoses. They carry a narrow product line.

Sohio says it has 120 company-operated stores with "no given name." They average 1,200 sq. ft. in size and carry a limited line of snacks, cigarettes, soft drinks and fast foods. The company sees "moderate growth" in C-stores and "continues to look for locations."

C-stores vs TBA

Many of the larger oil companies now seem to be opting for multiple pump C-stores at prime locations where they previously had automotive repair-type service stations. In certain instances, some dealers complain, they have to give up good service bay operations to make room for the stores.

A a major company dealer in a hot Florida market, says that a year ago he had a traditional three-bay service station that was grossing $45,000 to $50,000 per month in automotive service work. He wanted to keep the station the way it was but the company he was leasing it from wanted to convert it into a C-store with self-serve gasoline pumps. The company persisted and had its way.

Today, says the dealer, he's pumping 250,000 to 260,000 gal. per month at his self-serve pumps but sales inside the "new" C-store are "very small."

Gasoline gallonage like that, of course, is the big attraction for the oil company.